

**THE METROHEALTH SYSTEM
BOARD OF TRUSTEES
FINANCE COMMITTEE
REGULAR MEETING MINUTES**

DATE: Wednesday, January 16, 2019

TIME: 8:00 to 10:00 am

PLACE: MetroHealth Medical Center
K107, Business Services Building

COMMITTEE TRUSTEES: Mr. McDonald & J.B. Silvers

ADDITIONAL TRUSTEES: Ms. Dee, Mr. Moss & Ms. Whiting

STAFF: B. Boulanger, M.D., A. Boutros, M.D., N. Chehade, M.D., G. Himes, W. Jones,
M. Phillips, J. Platten, C. Richmond, M. Stern, J. Woolnough

GUESTS:

J.B. Silvers called the regular meeting of the Finance Committee to order at 8:00 am. Please note the minutes are written to conform to the printed agenda and are not necessarily in the order of discussion.

- I. The minutes of the regular meeting held on October 17, 2018 were approved as presented.

II. INFORMATION ITEMS

Craig Richmond, Executive Vice President and Chief Financial Officer provided an overview of the Fourth Quarter 2018 Unaudited Financial and Operational Results for the period ended December 31, 2018. Mr. Richmond reported that Adjusted Earnings before Interest, Depreciation and Amortization ("EBIDA") for the twelve months ended December 31, 2018 was \$107.3 million, an increase of \$11.2 million or 11.7 percent over the same period in 2017 which had an EBIDA of \$96.1 million. EBIDA increase was mainly attributed to growth from emergency department volumes, patient acuity, surgical volumes, expanded pharmacy operations, lower liability insurance costs, and supplemental payments from the Care Innovation and Community Improvement Program (CICIP).

Mr. Richmond further reported that total operating income for the twelve months ended December 31, 2018 was \$49.4 million, compared with operating income of \$41.5 million in the same period of 2017, an increase of \$7.8 million or 18.8 percent.

Total operating revenue for the twelve months ended December 31, 2018 was \$1,199.7 million as compared to \$1,127.8 million in the same period of 2017, an increase of 6.4 percent. The net patient service revenue component increased \$58.6 million or 6.1 percent. Similar to the prior quarter, key drivers of the increased net patient revenue include modest improvement in payor mix, higher overall acuity of cases, emergency department and surgical volumes, and the CICIP program. The other operating revenue component increased \$13.3 million or 8.1 percent mainly driven by growth in retail and contract pharmacy operations.

Mr. Richmond noted the System recorded total operating expenses of \$1,092.4 million for the twelve months ended December 31, 2018 as compared to \$1,031.7 million for the same period in 2017, which is an increase of \$60.7 million or 5.9 percent, comparing favorably to the total operating revenue increase of \$71.9 million. Similar to the prior quarter, most of the increase was in salary and wages, purchased services, medical supplies and pharmacy costs associated with the retail pharmacy expansion.

Mr. Richmond provided a review of the Statement of Net Position as of December 31, 2018 as compared to December 31, 2017. Areas of note were (i) \$15.1 million increase in other receivables due to the timing of the Hospital Care Assurance Program (HCAP) payments and the CICIP program; (ii) net capital assets increased \$50.2 million due to costs associated with the View Road parking garage and transformation planning/design services, and (iii) restricted assets under bond indenture agreement decreased \$59.2 million from prior year-end balances due to interest payments and Bond Fund draws during the period. Total liabilities increased significantly from prior year-end balances which was mainly due to the addition of the Net OPEB liability in 2018, recorded with the implementation of GASB Statement No. 75.

Mr. Richmond reviewed Unrestricted Cash and Investment balances, noting that the fourth quarter of 2018 increased \$25.6 million from prior year-end due to the operating performance discussed, the timing of payments, as well as receipts from the CICIP program. Regarding MetroHealth's bond covenants and rating agency median ratios' the System's bond covenants (days cash on hand and minimum debt service coverage ratio) are within compliance. Lastly, the Advisory Board Credit Rating Strength Diagnostic Tool which benchmarks the System's operating performance and capital structure metrics against the hospital medians of the major credit rating agencies was discussed.

Michael Stern, Executive Vice President and Chief Operating Officer, and Bernard Boulanger, MD, Executive Vice President and Chief Clinical Officer, provided an overview of the 2018 Operating Performance Volumes for the twelve months ended December 31, 2018 comparing to the same period in 2017. Mr. Stern stated inpatient discharges for the year were up mainly driven by growth in the System's emergency department volumes and our new remote hospitals. Dr. Boulanger stated Life Flight helicopter transports are down compared to last year as other hospitals have reduced the need of using our helicopter services for their patient transports, and that ground transportation is being used more. In 2018, emergency room visits were strong and surgical volumes continue to show growth.

Geoff Himes, Vice President of Finance provided an Accounting and Financial Reporting update. The update included a review of GASB Statement No. 68 – Pension and GASB Statement No. 75 – Other Postemployment Benefits (OPEB) stating the GASB 68 adjustment is recorded on an annual basis using OPERS actuary reports. Similar to prior year's discussions, Mr. Himes mentioned that although the pension liabilities recognized in accordance with GASB Statement No. 68 meet the definition of a liability in its conceptual framework for accounting standards, they do not represent legal claims on the System's resources, and there are no cash flows associated with the recognition of net pension liabilities, deferrals and expense.

Mr. Himes proceeded with reviewing a summary of the 2018 Capital Spend. Mr. Himes highlighted that the capital spend continues to be focused on new services, access and strategy initiatives, while routine and replacement capital is analyzed/approved through the lens of Campus Transformation. Mr. Himes stated that over the past three years, the redesigned capital process has resulted in a significant improvement in the execution of capital projects.

Jackie Woolnough, Director Revenue Integrity provided an update on the recent revisions to the Charge Description Master (CDM). Ms. Woolnough mentioned that in March 2018, the Board of Trustees authorized and approved certain amended delegations to the Chief Executive Officer (CEO), or at his discretion, to the Chief Financial Officer (CFO), specifically the authority to establish a schedule of charges for all services and treatment rendered. Ms. Woolnough proceeded with providing a summary of changes and additions to the CDM during the period of April 2018 through December 2018. Ms. Woolnough shared that the Department of Revenue Integrity provides department level reviews with management of all processes and charges to ensure all billable charges are represented in the CDM. As part of the process, CDM reviews and updates are regularly performed to ensure compliance with all payors. Lastly, Ms. Woolnough discussed the CDM structure methodology and pricing transparency approach.

III. NON-CONSENT/ACTION ITEMS

- A. There are no items to report at this time.

IV. CONSENT ITEMS

- A. A Recommendation for the Approval of an Office/Hanger Lease

The Committee unanimously approved the recommendation for full Board action.

- B. A Recommendation to Amend the Architectural and Engineering Services Agreement with HGA Architects and Engineers, LLC as the Master Architect for Campus Transformation

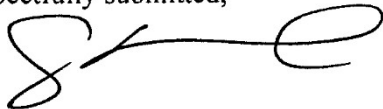
The Committee unanimously approved the recommendation for full Board action.

- C. A Recommendation to Amend the Agreement with Donley's Inc. as Construction Manager at Risk for the New Parking Garage

The Committee unanimously approved the recommendation for full Board action.

There being no further business to bring before the Committee, the meeting was adjourned at 9:59 a.m.

Respectfully submitted,



Craig Richmond
Executive Vice President and
Chief Financial Officer